

THE
DOUGLAS SYSTEM
OF ECONOMICS



"Credit Power for Democracy"

A system of State Credit
which will supply

Purchasing Power to the Consumer



This is a brief outline of the above
system as applied to our Alberta
Provincial needs.

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THE IMPORT OF CREDIT

The present day public has become so imbued with the idea of the necessity of money that the idea of credit does not seem to register with some people as worthy of consideration.

There are some who have really begun to believe that money represents wealth, and is no longer merely a medium of exchange. The inflation of currency in certain countries which ultimately destroyed the value of their money has not evidently impressed them that money only has value varying with the quantity issued, and is intended merely as a medium of exchange.

Scarcity of the medium of exchange seriously interferes with the transfer of goods. Hence Banks are given the right to increase their note issue to handle a large crop. It has been thought that there should be discovered a plan which will automatically adjust the medium of exchange to meet the necessities of the situation. This is found in the Douglas System.

There are certain difficulties in the present system of Money Exchange medium that are distressing to business to-day. For example, under our present system, money may be withdrawn from the flow of business and thus hinder or destroy it.

By the Douglas System of Credit Power, the flow of credit automatically adapts itself to the business to be done, and no one can prevent its flow. By this system, all payments for goods and services is made by cheque on the Provincial Credit House. This will ultimately reach the House and a cross entry will be made.

E. g.—Citizen A wishes to pay his grocery bill. He writes out a cheque for \$20.00 and gives it to his grocer, who deposits it at the Provincial Credit House. The Clerk then credits the grocer's account with \$20.00 and debits the Citizen's account with the same sum, and the cheque is filed. The Citizens' credit in the Provincial House has given him the right to draw the cheque which acts as a medium of exchange for the groceries. Hence the Credit System and cheques would easily take the place of Bank Notes and Bank Cheques. In case of Citizens requiring small sum to buy goods, the province could issue scrip or coins for this purpose.

This credit system will keep the province in close touch with all business transactions and would enable it to extend credit to Farmers and other producers in accordance with their needs.

The full working of the System in outline will be shown in the following:

PREAMBLE

A FEW FUNDAMENTAL ECONOMIC FACTS AS A BASIS.

- 1.—The Present Decadent Economic System was designed for an age of Scarcity when there would be all kinds of work to be found to provide for man's needs.
- 2.—We live in an age of plenty, when machines, the product of man's genius, can supply us with all our needs with much less assistance of man's labor.
- 3.—Figures have been given by Technological experts to show that if the Modern efficient machines are allowed to function regularly, there could only be found about 8 to 16 hours' work a week for the men between 18 and 45 years of age. The others must be unemployed all the time.

The Unemployment Problem is a permanent disability of the present out-of-date system.

- 4.—The human race has been engulfed in a vicious whirlpool, out of which there seems but one method of escape. The lack of employment has destroyed the purchasing power of the Consumer. This causes Underconsumption which in turn leaves more goods on the market, making less need of employment, and around the vicious circle we go.

- 5.—The one and only method of recovery is to put a greater Purchasing Power in the hands of the Consumer.
- 6.—The present decadent Economic System makes the producer or financier its main concern. It sets its tariffs, its loans, its everything, to suit him. The consumer gets little consideration. Now the producer is a small part of our population. Hence our present Economic System is sectional, not democratic.
- 7.—The Douglas System recognizes the Consumer as the important element of the State. We all are consumers. His welfare must be maintained and that will ultimately help the producer (whether farmer, industrialist or miner).
- 8.—If we keep on borrowing money to carry on the Business of our province, and continue to pay the high interest charges, we shall soon lose the right and ownership of our Natural Resources and saddle the next generations with a debt from which they can never recover. We must act carefully and promptly.

A BRIEF OUTLINE
of the
DOUGLAS SYSTEM OF ECONOMICS
Credit Power for Democracy.
(Adjusted to Suit the Province)

The GENERAL OUTLINE of the SYSTEM:

- A.**—Three factors constitute this wondrously simple plan:
- (1) Basic Dividends are given to every **bona-fide** citizen in the form of credit (not money) to provide for his bare necessities of food, clothing and shelter.
 - (2) Provision must be made for a continuous flow of credit. All hoarding of wealth or credit is banned under this plan.
 - (3) An Automatic Price Control System is necessary to equalize production and consumption and prevent hoarding of foodstuffs.
- B.**—These three factors can be introduced into our present system without a very great upheaval of Social, Commercial or Political interests, but they will effectively change the whole system in a very short space of time.
- (1) Business transactions would at once take on new life, and
 - (2) Increased consumption would 'ere long call for more production and that means more employment.

THE SYSTEM INTRODUCED

- 1.—Parliament would first have to adopt legislation to introduce it and then institute ways and means of inaugurating and maintaining it.
- 2.—All Citizens having money in the Banks, Trust Companies, etc. should purchase government bonds bearing 4% interest, payable in credit and maturing at such times as the Citizen desires.
- 3.—With the money thus obtained, the government will at once proceed to liquidate all provincial debts outstanding. If these debts are held by outsiders who will not accept payment in advance, the government may purchase bonds of other provinces or of the Dominion, maturing at the same time as theirs.

If there is any balance after the settlement of debts, it may be used to adjust Foreign Trade Balances or for use of our citizens when traveling.

- 4.—If the money is inadequate to meet the present indebtedness, the citizens may be called upon to transfer the Cash Surrender values on Life Insurance Policies or other documents that would produce money, for Provincial Government Bonds as above.

As every citizen receives from the Province in basic dividends enough to provide for his food, clothing and shelter, Life Insurance is a useless expense. Greater protection could be assured the individual in the form of Government Bonds maturing when desired.

- 5.—Owners of Real Estate, Industrial Plants, Stores, etc., may transfer the same to the government for bonds as above, if they so desire, (The price of the same to be settled by arbitration) or should the owner wish it, he may continue to handle the property individually and transfer it to his heirs or to the government at death.
- 6.—In case of Mortgages on Farms, Private Homes, etc. the government may take over the same and ask the individual to make his payments in credit to the government. Each individual case would be adjudged on its merits.
- 7.—By this and other similar means our Provincial and Individual debts could be intelligently handled and ultimately entirely eliminated.

THE THREE FACTORS OF THE SYSTEM EXPLAINED.

A.—The Basic System of Dividends and the Encouragement of Individual Enterprise.

The State shall be viewed by its citizens as a gigantic Joint Stock Company with the resources of the Province behind its credit.

The Bona-fide Citizens are each and all shareholders, entitled to basic dividends sufficient to provide the bare necessities of food, clothing, and shelter for each individual and his family.

The qualifications of citizenship shall be clearly defined and rigidly enforced.

No citizen shall be allowed to barter away, or otherwise dispose of, his basic dividends beyond the extent of the then current year, and thereby become a vagabond or tramp with no fixed place of abode, or sustenance.

Basic Dividends should be \$20.00 a month for every bona fide citizen, male or female, 18 years or more. Children of bona fide Citizens, 16 years old, will receive \$10 a month and those 17 years old, \$15 a month. (These figures are merely suggested for illustration purposes).

This rate may be changed at the end of any Five-year Period to suit the standard of living then prevalent.

These dividends are not to be given on a basis of so much work done, but as a bare support of citizenship, loyalty to the state and best interests of the country.

Salaries or Wages for work done will be paid as now, but in Provincial Credit (not money).

The State should provide as much work as possible for those who desire it, and can serve acceptably.

Any who are handicapped physically or mentally should be given bonus dividend protection.

Individual enterprise must be encouraged in every way possible.

To prevent exploitation of the Country's Wealth, Citizenship must be carefully protected from unworthy individuals.

All producers will be allowed temporary supervised credit to enable them to serve the Citizenship in the best possible way.

Direction should be given from time to time as to the products that are most needed.

This additional Credit should be strictly administered and if no adequate returns are forthcoming, the Credit should be withdrawn.

This will apply also to Distributors of Goods, such as Exporters, Importers, Wholesalers, Retailers, etc.

All rendering service to the state or community such as Doctors, Teachers, Lawyers, Bookkeepers, Ministers, etc., will be paid fees or salaries (in addition to the Basic Provincial Dividends) by the Individual, District, Company or Congregation requiring such services.

Taxes will be levied in the usual way but will be greatly reduced because of the removal of all interest charges and overhead expenses.

All residents of the province who do not co-operate with the Citizens, and deal directly and only with the Provincial Credit House will be assessed heavy taxes for the privilege of doing business in the province.

B.—The Provision for Continuous Circulation of Credit. (Not Money).

Credit is the life-blood of the state or community. Under no circumstances must it be allowed to stop its flow.

No hoarding of money or credit by any citizen should be allowed if the State is to continue healthy.

All basic dividend credits therefore must be claimed or drawn during the current year.

All salaries or wages or incomes from whatever source, must be expended by the end of the year following the receipt of the same.

If any credit, under the above, remains unused, or unclaimed, the State Credit House should write the same off the Citizen's account.

To encourage individual enterprise and to enable the individual to provide more adequately for old age, Current Credit may be used to purchase Government bonds maturing at a later date for himself or another.

It is understood, however, that all such bonds become the property of the government in case of the death of the individual in whose name they stand.

Should the Citizen leave the province permanently and wish to give over his bona-fide citizenship, the Provincial Credit House should arrange to pay his bonds when due in Canadian Currency.

C.—Automatic Price Control.

To help make consumption balance and control production, the Government, through their economic officials, will fix and declare the price of all necessities for food, clothing and shelter on the basis of a fixed ratio, viz:

$$\text{Market Price} = \frac{\text{Total Consumption}}{\text{Total Production}} \times \text{Total Cost.}$$

E.g. If 50,000 pairs of shoes costing \$6 a pair should be produced or imported and only 40,000 pairs were purchased by the Consumers, then the price would automatically be reduced by the Officials to $\frac{4}{5}$ of \$6.00 = \$4.80 a pair, to increase the consumption.

This means that only when consumption equals production will the price at which goods are sold be adequate to cover the total cost of production. In other words, the principle of profit on necessities is abolished.

The Government will be obliged to cover the deficiency in price in two ways:

- (1) By sales to Foreign Countries at a profit.
- (2) By granting additional Credit to the Distributors.

To secure efficiency and permanency in the above adjustment and in price control, it would seem that the Economic Officials handling or supervising the system should be appointed entirely apart from politics, much after the method of our Judicial Officers, except perhaps that the appointment should be for a period of years rather than for life.

In no way should the introduction of this system be allowed to interfere with the relationship between Alberta and Canada or any of the other provinces.

It is expected that all bona fide citizens of Alberta will seek employment or profitable occupation either as sought out or made by themselves or provided by the Government. Investigation and Invention, Mental Development, or any effort valuable to Society will be considered a profitable occupation.

PROVINCIAL CREDIT AT WORK

The Province will be divided into Districts, each of which will be subdivided into sections.

These sections will be required to produce an adequate return for the credit granted.

The Books and Accounts of the System will be kept as illustrated below:

RED COULEE SECTION:—

Containing towns or cities and neighboring districts of 10,000 inhabitants as a unit for illustration.

Producers (Farmers, Industrialists, etc.)	3,000
Distributors (Importers, Wholesalers, Retailers, Etc.,)	1,000
Service (Doctors, Teachers, etc.)	1,000
Unemployed (but profitably occupied)	5,000
Basic Dividends - \$300 a year.	
Distributors Average Credit - \$1,000 a year.	
Producers Average Credit - \$2,000 a year.	

(These figures are merely illustrative)

Total Basic Dividend Credit	10,000 x \$300 =	\$3,000,000.00
Total Distributors Credit	1,000 x \$1,000 =	\$1,000,000.00
Total Producers Credit	3,000 x \$2,000 =	\$6,000,000.00
Total Provincial Credit for Red Coulee		\$10,000,000.00

Provincial Books (Red Coulee Section) Opened.

Capital Expenditure			
Dr.		Cr.	
Basic	\$3,000,000		
Distributors	1,000,000		
Producers	6,000,000		
Citizen A.	Citizen B.	Citizen C.	Etc.
Cr.	Cr.	Cr.	
\$300.	\$300.	\$300.	
(10,000 accounts)			

Each citizen is credited with \$300. for the year and the Provincial Capital Account is debited with \$3,000,000.

Distributor A
| \$1,000.

Distributor B
| \$1,000. (1,000 accounts)

Each wholesaler, retailer, etc., is given credit to cover the needs of his business. I have averaged it at \$1,000 each.

Producer A
| \$2,000.

Producer B
| \$2,000 (1,000 accounts)

Each producer (or farmer, etc.) is given credit sufficient to bring his products to market, averaged at \$2,000.

TRANSACTIONS BEGIN.

1. Producer sells to Distributor \$500 goods.

Producer A
| \$2,000.
| \$ 500.

Distributor A
\$500. | \$1,000.

The Distributor issues a cheque which he gives the Producer. When deposited, the Clerk debits the Distributor \$500 and credits the Producer as above:

2. Distributor sells to Citizen \$20 goods.

Distributor A
\$ 500. | \$1,000.
| \$ 20.

Citizen A
\$20. | \$300.

The Citizen issues a cheque for \$20 which he gives to the Distributor who deposits it and the Clerk debits the Citizen and credits the Distributor.

3. Producer pays Wages to Helper (Citizen) \$100.

Producer A
\$100. | \$2,000.
| \$ 500.

Citizen A
\$20. | \$300.
| \$100.

The Producers gives a cheque to Citizen (Helper) who deposits the same and the Clerk debits the Producer and credits the Citizen.

4. Distributor pays Wages to Clerk (Citizen) \$50.

Distributor A
\$500. | \$1,000.
\$ 50. | \$ 20.

Citizen B
\$20. | \$300.
| \$ 50.

This is similar to the above.

5. Citizen pays Service Man (Doctor, etc.) \$10.

Citizen A
\$20. | \$300.
\$10. | \$100.

Service Man A
| \$300
| \$ 10.

The Citizen gives the Doctor a cheque for \$10 which the Doctor deposits and the Clerk debits the Citizen and credits the Doctor.

FINAL STAGES OF THE YEAR.

1. Citizens have drawn all their Basic Dividend Credit and paid it to the Distributors either directly, or indirectly through the Service Men.

Citizen A			Distributor A		
Dr.		Cr.	Dr.		Cr.
Distrib.	\$20	\$300.	Open		\$1,000
Service	10		Citizen		200
Distrib.	270	Closed	Service		100
(10 citizens to 1 distributor)			Citizen		2,700

(2) Distributors have settled up with Producers.

Distributor A			Producer A		
Dr.		Cr.			Cr.
\$3,000	Open	\$1,000	Govt.		\$2,000
	Citizen	200	Distributor		1,000
	Service	100			
	Citizen	2,700			

(1 Distributor to 3 Producers.)

3. Producers and Distributors have squared off with the Government.

Producer A			Government		
			Dr.		Cr.
\$3,000	Govt.	\$2,000	Basic	\$3,000,000	\$9,000,000
	Dist.	1,000	Prod.	6,000,000	
	Closed		Distri.	1,000,000	

(3,000 accounts to Govt.)

Distributor A			Government		
Dr.		Cr.	Dr.		Cr.
Prod. \$3,000	Govt.	\$1,000	Basic \$3,000,000	Prod. 9,000,000	
Govt. 1,000	Citizen	200	Prod. 6,000,000		
	Service	100	Distr. 1,000,000	Dist. 1,000,000	
Closed	Citizen	2,700	Closed for Year.		

(1,000 accounts for Govt.)

Note the cycle of credit has been completed. The Provincial Credit has distributed the goods and returned. It is ready for another year.

The salaries of Service Men will be paid by the Citizens either directly as in the services of the Doctor, Lawyer, etc., or indirectly by taxes, to the teacher, civil servant, etc.

Salaries of Managers, Clerks, Workmen, etc., in the Office or Factory of the Distributor or Producer will be covered by an additional grant of credit to carry on.

These salaries will return directly or indirectly to the distributors who will pass the same back to the producers who in turn will complete the circle, and return the same to the Provincial Credit House.

ADVANTAGES OF THE SYSTEM

(1) The Wealth of our Provincial Natural Resources will be at the disposal of our bona fide Citizens who will always have the bare necessities of food, clothing, and shelter.

The bogey of starvation will be destroyed.

(2) The Producers (i.e. Farmers, Industrialists, Miners, Ranchers, etc.) will have their tenure secured by government Credit as long as they supply goods for the use of the Citizens. There will be no more mortgage foreclosures, overhead interest charges, etc., which discourage and enslave our Producers.

(3) The Distributors will always be protected from price inflation or deflation. The System of Price Control protects the Consumer from exploitation and saves the Distributor from distressing losses.

(4) The constant flow of Credit will solve the money problems and at the same time stimulate business by increasing the purchasing power of the Consumer. Increased consumption and improved standards of living will of necessity increase the demand for goods, which means more production and employment.

(5) The rising generation will be given a chance to be properly equipped before seeking to enter the employment market.

(6) Special provision will be made for direction in the use of leisure time. Citizens will be taught profitable occupations.

(7) The importance of a high rank of citizenship may be impressed upon the people.

(8) Unemployment relief, high interest charges, exorbitant profits, etc., will all be eliminated automatically.

One Citizen will not be able to devour his fellow. All will share alike in the provincial wealth, and at the same time individual enterprise will be encouraged. It will remove graft and theft.

(9) The Province will not have to face the almost herculean task of trying to nationalize Banks. They will cut the feelers and tendons that ensnare and enslave us.

(10) The Government will not be able at any time to seize upon the complete power and wealth of the country and rule autocratically as they might if all industry and wealth were socialized.

The property rights of the Individual would be respected, and supported where possible.

(11) All Foreign or External trade could be handled much as at present, and would be transacted more on the basis of mutual exchange of goods, rather than on a basis of high tariffs and duties, the tools of finance.

(12) The Basic Dividends of Citizenship would enable the citizens to choose the occupation most suitable to their abilities and not from the remuneration received therefrom.

It would tend to Social Freedom.

(13) The vicious (A plus B) Theory of Economics would be dethroned. A = total wages paid in production: B = the Overhead charges of machinery and raw material, etc.

The Government would supply by Credit the B amount so that consumption may equal production.

**Is this not worth trying?
Shall we co-operate?**



